Weekly Economic Review

Alberta housing market marches on

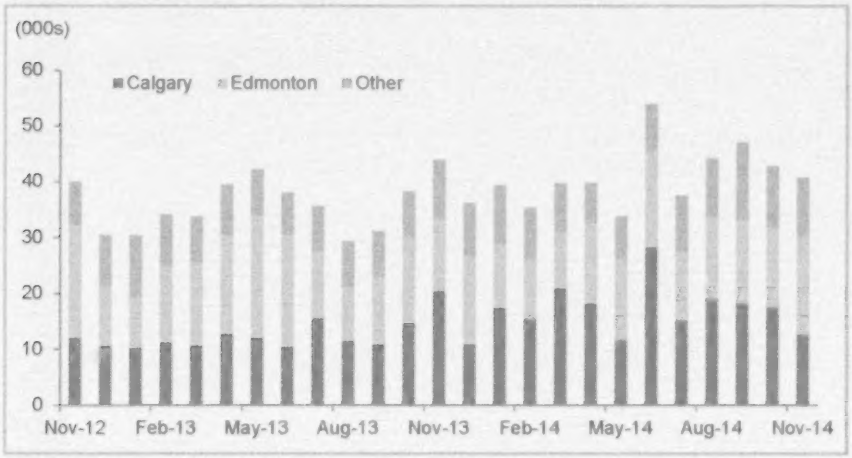
Housing Starts

Starts hold above 40,000

Homebuilding in Alberta is showing no sign of slowing. There were 40,717 housing starts in November (annualized), down some from October, but still above 40,000 for the sixth month in a row. Year-to-date housing starts are up a robust 14.7%, though November starts were down 7.3% from November 2013, when a surge in apartment construction pushed up starts. Single-detached were up 2.7% y/y, while semi-detached (duplexes, etc.) were up 29.1% y/y. A 37.5% y/y drop in Calgary housing starts was partially offset by a 34.7% y/y increase in Edmonton (Chart 1).

Chart 1: Edmonton buoys November housing starts

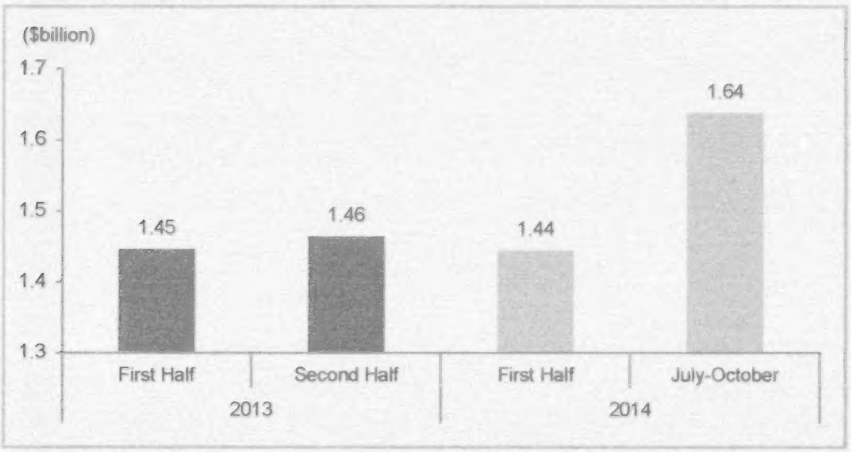
Alberta housing starts (annualized)



Source: Canadian Mortgage and Housing Corporation

Chart 2: A strong second half continues

Alberta building permits



Source: Statistics Canada

Canada posted 195,620 starts (SAAR), an increase of 6.5% from October and up 0.4% y/y. Ontario and Quebec led in number of starts, while Alberta posted the third highest level.

Building permits

Better in the second half

Building permits issued by Alberta municipalities in October totaled $1.6 billion, up 5.8% both month-over-month and year-over-year. Building permits in the first half of 2014 were substantially lower than a year ago; however, a strong performance in the second half has pulled year-to-date building permit growth up to 4.9% (Chart 2). Much of the growth has come from residential permits, which rose 6.8% y/y, as apartment permit values went up by a third and double-unit dwelling values went up by half. On the non-residential side, commercial permits provided much of the impetus for growth, rising 14.1%. This includes a huge spike in permits for warehouses, which totaled $243 million in October, almost half of all commercial permits.

Oil Production

The oil keeps flowing

Alberta produced 85.5 million barrels of crude oil and equivalent in September, an increase of 7.5% over September 2013. Expanded oil sands output was responsible for most of the increase, with bitumen production up 11.2% y/y and synthetic crude production up 7.2%. Conventional light-medium

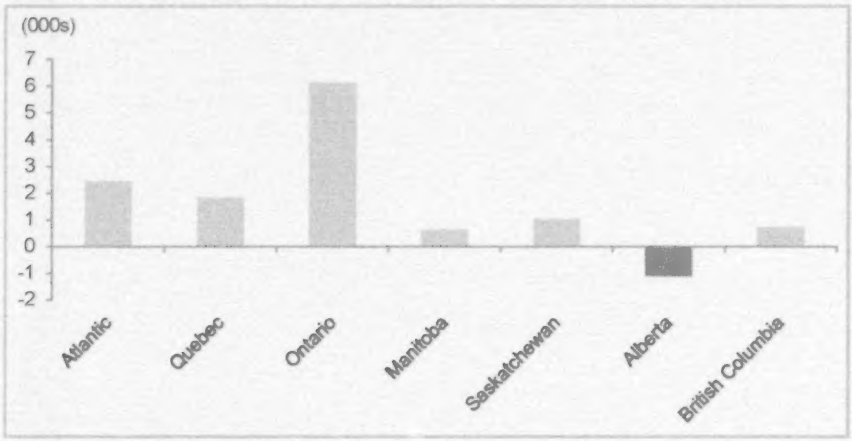
production started to rise in 2011 after twenty years of declines, and continues to show steady growth, rising 3.0% y/y. Deliveries of crude oil to Canadian refineries rose 6.7% y/y, while exports were up 16.2% y/y. About one quarter of Alberta oil production is refined in Canada.

Job Vacancies

Vacancies slip

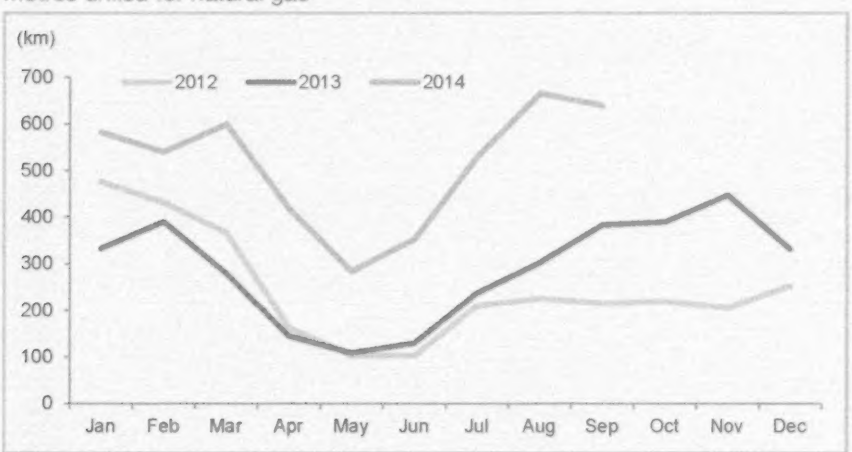
There were 50,900 job vacancies in Alberta for the three months ending in September (Chart 3), a decrease of 2.1% or 1,100 vacancies, over same period in 2013. As a result of the fall in vacancies the job vacancy rates slipped 0.1 percentage points to 2.5% from the same time last year.

Chart 3: Alberta only province to lose job vacancies from a year prior
Year-over-year level change in number of job vacancies by province



Source: Statistics Canada

Chart 4: Natural gas drilling reaching new depths
Metres drilled for natural gas



Sources: Alberta Energy Regulator

Nationally, there were 242,900 job vacancies for the three months ending in September, an increase of 5.2% or 12,100 vacancies y/y. Alberta continues to have the highest ratio of unfilled positions across the provinces, but was the only province to see a year-over-year decline in vacancies.

Oil and Gas Drilling

Prolific natural gas drilling

There were 653 wells drilled in Alberta during the month of September with a combined length of 1,445 km. This is a 7.2% y/y increase in the number of wells, and a 16.9% y/y increase in the number of metres-drilled. Natural gas producers were responsible for the increase, with half again as many natural gas wells and twice the number of metres drilled. The number of metres drilled for oil, both conventional and non-conventional, declined by 5.6%, as increased metres-drilled for bitumen was not able to offset declines in conventional drilling. Year-to-date, total metres-drilled has increased 41%, with gas metres drilled doubling and oil metres-drilled increasing by 20%.

New Housing Price Index

Alberta and Calgary Lead

In Alberta, the New Housing Price Index (NHPI) increased by 3.6% y/y in October. So far in 2014, NHPI growth in Alberta has averaged approximately 3.4%. Both the land and non-land costs were up. NHPI grew in both of Alberta's major cities, up 6.6% y/y in Calgary and 0.4% y/y in Edmonton. Edmonton NHPI growth was positive for the second month in a row, after having no or negative growth in each of the previous 10 months. Calgary continues to lead all Canadian cities in growth.

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.